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Contingent liability reserve for the United Nations Postal Administration

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on the contingent liability reserve for the United Nations Postal Administration (UNPA) (A/61/900). During its consideration of the report, the Committee met with representatives of the Secretary-General, who provided additional information and clarification.

2. The Advisory Committee recalls that the Secretary-General, in view of the recommendation made by the Board of Auditors (A/61/5, vol. I, chap. II, para. 477), proposed to establish a reserve for contingent liability for postal services for previously issued UNPA stamps at the level of $3.3 million (see A/61/295). The reserve was proposed to be financed from the net income achieved by UNPA until reaching the proposed level. This would require an exception to regulation 3.14 and rule 103.7 of the Financial Regulations and Rules of the United Nations. The Committee's observations and recommendations on this matter are contained in its previous report (A/61/480).

3. The report of the Secretary-General (A/61/900) was submitted pursuant to General Assembly resolution 61/252, section III, paragraph 2, in which the Assembly requested the Secretary-General to submit a comprehensive report setting out options for reducing the risk posed to UNPA by the use of its services for commercial and bulk mail; options other than the establishment of the contingent liability reserve for UNPA; the status of the negotiations between UNPA and postal authorities where it operates; and further elaboration of the proposals contained in the report of the Secretary-General on the contingent liability reserve for UNPA (A/61/295).

4. As stated in paragraph 6 of the report of the Secretary-General (A/61/900), United Nations Headquarters is currently the location most exposed to the danger of bulk mailers presenting items for processing. The Advisory Committee notes that

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the United Nations Office at Geneva no longer accepts commercial external mailing and that the United Nations Office at Vienna, one year after the introduction of the euro in 2002, stopped accepting UNPA stamps issued in Austrian shillings. The Committee was informed that the proposed level of the reserve stated in paragraph 2 above had taken this into account. In addition, measures put in place to limit mail charges while seeking to maintain mail services for philatelic purposes are summarized in paragraphs 9 to 13 of the report of the Secretary-General.

5. In this connection, the Advisory Committee notes that while commercial mail is accepted in Vienna, a 10 per cent handling fee is charged. As regards Headquarters, new measures to restrict large consignments of mail or bulk mail are summarized in paragraphs 9 and 10 of the report of the Secretary-General. The Committee was further informed that following the request by UNPA for advice from the Office of Legal Affairs, a new mailing policy had been issued in September 2007 to minimize the types of mail accepted while retaining mail services for philatelic purposes.

6. The status of negotiations between UNPA and the postal authorities in the United States of America, Austria and Switzerland is summarized in paragraphs 14 to 16 of the report of the Secretary-General, where it is stated that UNPA offices in Geneva and Vienna are able to use reduced postage rates negotiated between the United Nations and the local authorities. Contracts are periodically renegotiated and rebid and the discount rates adjusted accordingly. **The Advisory Committee commends the efforts made by the postal authorities of Switzerland and Austria and welcomes the positive developments in their ongoing discussions with UNPA.**

7. As to United Nations Headquarters, the Advisory Committee was informed that the volume of mail generated by the Organization does not meet the threshold required by the United States Postal Service for the granting of discounts. **The Committee also notes the progress made with the United States Postal Service and encourages the Secretary-General to continue his efforts to obtain discounts for first-class mail in its New York-based operations.**

8. The Advisory Committee notes that the primary alternative, other than the proposed establishment of the contingent liability reserve, would be to continue the current practice of expensing all bulk mailing costs as they are incurred. While this would allow for the absorption of small amounts, it would have an impact on programme implementation if larger expenditures were required to be absorbed as the result of an increase in bulk mailings (A/61/900, paras. 17-18). Furthermore, regardless of the long-term funding of the contingent liability, the financial statements of the United Nations, prepared in accordance with United Nations system accounting standards, require contingent liabilities to be disclosed in the notes to the financial statements.

9. Upon enquiry, the Advisory Committee was provided with information on income and expenditure for UNPA for the biennium 2006-2007 (see annex). The Committee notes that, on the basis of current data and projections, a net income of $411,600 is estimated to be achieved for 2006-2007. The Committee recalls that UNPA achieved a net income of $2.1 million for the biennium 2004-2005 (see A/61/480, annex).

10. In its report on the contingent liability reserve for the United Nations Postal Administration, the Advisory Committee stated that it saw merit in the Secretary-General's proposal to establish a reserve for contingent liabilities for postal services for previously issued UNPA stamps, as recommended by the Board of Auditors and the Office of Internal Oversight Services, to be built up gradually by transferring the balance of the net income of postal services until a ceiling level of $3.3 million is reached. It further recommended that, in order to reach the target of $3.3 million, it would be prudent to consider further streamlining of UNPA operations, if possible, providing requisite service with even greater efficiency (A/61/480, para. 8). In connection with the latter, the Committee notes that the proposed programme budget for 2008-2009 includes the abolition of two General Service posts, as well as the redeployment of a P-4 post from UNPA to the catering services operations in New York (A/62/6 (Income sect. 3), para. IS3.14).

11. **The Advisory Committee reiterates its views as to the merits of creating a reserve for contingent liabilities for postal services for previously issued UNPA stamps, as put forward in its previous report (A/61/480) (see also para. 10 above). As regards the level of the reserve, the Committee believes that it should be looked into by the United Nations Board of Auditors, taking into account recent developments as well as projections.**

Annex

United Nations Postal Administration: financial information and estimates for the biennium 2006-2007

(Thousands of United States dollars)

	January 2006-December 2006			*January 2006-August 2007 (preliminary)*			*January 2006-December 2007 (estimate)*		
	New York	*Geneva and Vienna*	*Total*	*New York*	*Geneva and Vienna*	*Total*	*New York*	*Geneva and Vienna*	*Total*
Income									
Income	3 362.7	3 804.5	7 167.2	5 495.7	6 039.4	11 535.1	6 500.0	7 810.0	14 310.0
Less: payments for mail charges and commissions	(497.7)	(595.8)	(1 093.5)	(1 022.3)	(801.9)	(1 824.2)	(1 200.0)	(960.0)	(2 160.0)
Net income from sales	**2 865.0**	**3 208.7**	**6 073.7**	**4 473.4**	**5 237.5**	**9 710.9**	**5 300.0**	**6 850.0**	**12 150.0**
Expenditures									
Salaries and common staff costs[a]	1 995.0	1 695.2	3 690.2	3 317.2	2 853.2	6 170.4	3 850.0	3 424 0	7 274.0
Other staff costs[a]	513.4	244.9	758.3	786.1	413.0	1 199.1	955.2	512.1	1 467.3
Travel	27.0	20.7	47.7	42.9	42.7	85.6	42.9	44.8	87.7
Contractual services[a]	562.7	63.8	626.5	1 160.5	148.2	1 308.7	1 642.0	203.6	1 845.6
General operating expenses	193.5	129.0	322.5	304.1	225.7	529.8	417.5	405.6	823.1
Supplies and materials	49.6	40.1	89.7	64.5	76.1	140.6	84.0	114.2	198.2
Furniture and equipment	3.3	21.2	24.5	6.1	22.0	28.1	6.1	36.4	42.5
Total expenditure	**3 344.5**	**2 214.9**	**5 559.4**	**5 681.4**	**3 780.9**	**9 462.3**	**6 997.7**	**4 740.7**	**11 738.4**
Net income (loss)	**(479.5)**	**993.8**	**514.3**	**(1 208.0)**	**1 456.6**	**248.6**	**(1 697.7)**	**2 109.3**	**411.6**

[a] Expenditure related to the design, printing, promotion and packaging of stamps is charged primarily to the headquarters operations where the functions are performed.